

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

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Docket No. R2000-1

**COMMENTS OF THE ASSOCIATION OF AMERICAN PUBLISHERS
ON RECONSIDERATION**

In accordance with the Commission's December 11, 2000 Order No. 1301 establishing procedures for reconsideration, the Association of American Publishers ("AAP") hereby submits the following comments on reconsideration of the Commission's Opinion and Recommended Decision (the "Opinion") in Docket No. R2000-1. In particular, AAP is providing comments in response to the Postal Service's suggestion that the Commission apparently erred in establishing rates for Bound Printed Matter ("BPM"). According to the Postal Service, these apparent errors result in a revenue shortfall of \$30.6 million for BPM when compared to the \$560.7 revenue projection found in Appendix G of the Commission's Opinion. These errors are purportedly found in LR-PRC-17.

Notwithstanding the points raised by the Postal Service, AAP believes that the Commission should retain the rates as originally recommended. First and foremost, the Postal Service has not clearly asked for an adjustment of BPM rates. Rather, after reciting a set of apparent errors, the Postal Service states that, *if* the Commission should decide to make an adjustment, it should follow a certain general principle as to the rate relationships. The Postal Service, however, fails to propose specific rate changes. Given this failure and the tentative nature of the Postal Service's request, the Commission should feel no compulsion to adjust BPM

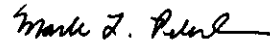
rates. On the contrary, retaining the rates that have gone into effect would cause the least amount of disruption to BPM mailers and provide for mitigation – to some extent – of the substantial rate increases affecting BPM.

In considering the contingent nature of the Postal Service's request, the Commission should consider that introduction of the drop-ship discounts to the BPM subclass will increase the incentives to drop-ship. This, in turn, will result in a greater per piece contribution for BPM than projected by the Postal Service, particularly in view of the fact that the Commission has decided that less than 100% of the cost savings should be passed-through. Thus, the new rates will provide greater income for BPM than projected and should – over time – account for a substantial portion of the additional revenue that the Postal Service seeks to recover from the subclass. Recognizing the effects of the drop-ship discounts on a going forward basis would also be consistent with the manner in which costs and revenue have been calculated for the Parcel Post subclass following a similar introduction of drop-ship discounts.

Finally, AAP would note that a close examination of LR-PRC-17 shows that the discrepancies identified by the Postal Service cannot be viewed in isolation. Any single change requires numerous other adjustments to the rates. Thus, there is no simple means of reconfiguring the rates to achieve the result the Postal Service suggests. For example, simply correcting the DDU and DSCF discounts likely would result in DBMC mail receiving a greater discount than DDU or DSCF mail. Further, maintaining the rate differentials between the discounts, as suggested by the Postal Service, might require that the base rate for some BPM mail be increased to levels far in excess of prior rates and the rates proposed by the Commission (as much as a 25% increase over prior rates for some drop-ship mail and a staggering 35% increase over prior rates for mail that is not drop-shipped) and ignores the effect of other anomalies and

errors that are evident in the rates.¹ Thus, any adjustment of BPM rates at this point would first require a more in-depth technical inquiry than the Postal Service's request and the procedures established for reconsideration afford. Fairness would require an opportunity for affected parties to participate in such a technical inquiry and to respond to the judgmental tradeoffs that would likely be entailed. All of the foregoing factors counsel that the Commission should leave its recommended BPM rates undisturbed and bring this matter to a close.

Respectfully submitted,



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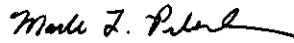
Counsel for Association of
American Publishers

Date: January 12, 2001

¹ In particular, the Piece Workpaper of LR-PRC-17, which calculates cost-savings for drop-ship mail, applies a 50% pass-through for DBMC and DDU mail but applies a 103.4% pass-through for DSCF mail. The pass-through for DSCF mail appears to contradict the Commission's decision not to pass-through the full cost savings of drop-ship mail (*See* PRC Op. at ¶5896 and ¶5900).

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document, by First-Class Mail,
upon the participants in this proceeding.



Mark L. Pelesh

Date: January 12, 2001